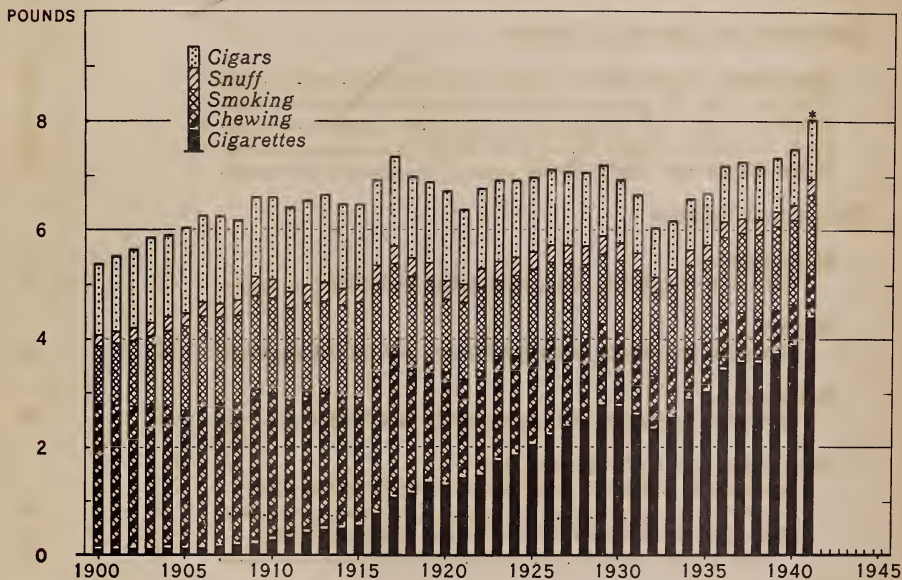


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TOBACCO PRODUCTS: CONSUMPTION PER CAPITA IN THE UNITED STATES, 1900-1941



BASED LARGELY ON TAX PAID WITHDRAWALS, BUREAU OF INTERNAL REVENUE

*PRELIMINARY

U. S. DEPARTMENT OF AGRICULTURE

NEG. 24080

BUREAU OF AGRICULTURAL ECONOMICS

PER CAPITA CONSUMPTION OF TOBACCO PRODUCTS REACHED A RECORD HIGH IN 1941, RESULTING LARGELY FROM THE INCREASED INCOMES OF CONSUMERS. THE UPWARD TREND IN CIGARETTES WAS ACCELERATED AND ATTAINED A NEW HIGH. CONSUMPTION OF CIGARS INCREASED MATERIALLY. THE DECLINE IN CONSUMPTION OF CHEWING TOBACCO WAS LESS MARKED IN 1941 THAN IN EARLIER YEARS, PROBABLY AS A RESULT OF ITS USE BY WORKERS IN WAR INDUSTRIES WHERE SMOKING IS PROHIBITED. CONSUMPTION OF SNUFF INCREASED AND THAT OF SMOKING TOBACCO REMAINED FAIRLY WELL IN LINE WITH PER CAPITA CONSUMPTION DURING THE PAST SEVERAL YEARS. PROSPECTS ARE FOR A FURTHER INCREASE IN TOTAL CONSUMPTION IN 1942.

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THE TOBACCO SITUATION

Summary

The 1942-43 marketing season for flue-cured tobacco opened in the Georgia-Florida area on July 28, with first-day sales and prices much higher than those on the opening markets last season. The flue-cured crop, indicated July 1 at 740 million pounds, is 90 million pounds larger than in 1941. However, this gain in the size of the crop is offset by an expected decrease in carry-over of approximately 90 million pounds. Domestic supply may be about 2,243 million pounds, practically the same as the record supply in 1941. Although this supply is extremely large, prospects are for an increase in domestic consumption mainly in the form of cigarettes, and a continued flow of lend-lease shipments. The Commodity Credit Corporation will have a loan and purchase program in effect during 1942-43 similar to programs of the three preceding marketing seasons. In a referendum held May 25-28 growers voted for free and mandatory tobacco inspection on 49 flue-cured markets not previously covered by the service. Shortage of inspectors, however, will limit the number for inspection to 38 of the 75 flue-cured markets during the present marketing season.

On the basis of July 1 conditions, the 1942 burley crop is expected to be 350 million pounds, or about the equivalent of disappearance in 1941. The present burley supply appears to be about 1,136 million pounds - practically the same as the supply of the past three seasons. As in the case of flue-cured, some increase in disappearance is expected because of the increase in cigarette consumption.

A production of 31 million pounds of Maryland tobacco is in prospect - 1 million pounds more than in 1941. Domestic disappearance may be larger

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in the calendar year 1943 than the estimated 30 million pounds this year.

Notwithstanding a smaller crop, the fire-cured tobacco supply of 260 million pounds is the largest since 1937. A slight increase is taking place in domestic consumption but exports are drastically curtailed. The dark air-cured crop of 31 million pounds is less than disappearance in 1941, but stocks are still abnormally high.

July 1 reports indicate a 1942 supply of domestically grown cigar leaf of 432 million pounds compared with 444 million pounds in 1941. Disappearance of domestic cigar leaf was about 146 million pounds in 1941. Prospects are for some increase in consumption during the present crop year.

Under the General Maximum Price Regulation of the Office of Price Administration, price ceilings are effective on all tobacco products. Tax-paid withdrawals of most tobacco products have shown increases during the fiscal year ended June 1942 over the preceding year. These increases are expected to continue. Except for lend-lease shipments, the export outlook remains unfavorable.

— July 28, 1942

FLUE-CURED, TYPES 11-14

Higher Prices on First-Day Georgia-Florida Sales

Preliminary first-day (July 28) sales on the Georgia-Florida markets indicate a volume larger than on the opening day (August 5) in 1941. Average prices for corresponding grades and qualities were considerably higher than last year. Opening-day sales last season approximated 6 million pounds at an average price of 23.6 cents. July 1 indications point to a crop of 72 million pounds of type 14 - 14 percent more than was grown in 1941.

The margin between the Georgia-Florida flue-cured and the other flue-cured types may be narrower this season than last. Last year the spread was unusually wide. Early indications last year were for a flue-cured crop considerably larger than the one that actually materialized.

Acreage Below Allotments;
High Yields Indicated

The 1942 flue-cured acreage allotment of the Agricultural Adjustment Agency was 843,300 acres; the acreage indicated for harvest on July 1 was 796,200 acres - 5.6 percent below the allotment, but 11 percent above the harvested acreage in 1941. July 1 reports indicate a flue-cured crop of 740 million pounds compared with the small 1941 crop of 650 million pounds and the 1930-39 average of 751 million. The increase in this season's crop over last has resulted not only from the larger acreage, but also from increased average yields in all flue-cured areas except the Virginia and Eastern North Carolina Belts. Weather conditions were favorable to early growth and crops generally made above-average progress. The July 1 indicated average yield for all flue-cured is 927 pounds per acre, second only to the record yield of 1,025 pounds in 1940.

Flue-Cured Supply About Same
As Last Year

Although stocks as of July 1, 1942 may be about 90 million pounds less than a year earlier, the indicated production is about 90 million pounds larger than that of the 1941 season, resulting in a flue-cured supply of 2,243 million pounds - not greatly different from the supply in 1941. Smaller stocks as of July 1, 1942 are attributable to increased domestic consumption and larger lend-lease shipments.

Old Belt Markets to Open
Later Than Usual

The United States Tobacco Association has announced the opening of the flue-cured markets for sale of the 1942 crop to be as follows: Georgia-Florida area (type 14), July 28; South Carolina and Border Belt, (type 13), August 6; Eastern North Carolina, (type 12), August 25; Middle Belt (type 11-b), September 14; and the Old Belt (type 11-a), October 1.

During the 1941-42 selling season, the Georgia-Florida markets opened August 5 and the Old Belt (11-a) on September 16. The spread between opening dates in the various districts has been widened partly because fewer buyers are available as a result of war activities and also to avoid overcrowding the transportation and redrying facilities. The Tobacco Association also has agreed upon a uniform selling day of 5 hours, and a maximum of 360 baskets per hour. This schedule is expected to ensure a more orderly sale of the crop.

Referendum Favorable to Grading

As a result of the referendum held May 25-28 (at which 70 percent of the growers voted favorably) free and mandatory inspection is authorized on all flue-cured markets for the first time during the 1942-43 selling season. Prior to this season only 26 of the 75 flue-cured markets had grading and market news service. Shortage of qualified inspectors, however, will make this service available on 38 markets only, during the present selling season.

Cigarette Withdrawals of Record Proportions

Tax-paid withdrawals of cigarettes totaled 217 billion during the year ended June 30, 1942 compared with 190 billion during the year ended June 30, 1941, or an increase of 14.3 percent. (Table 9). Prospects are for a further rise in cigarette consumption during the next fiscal year because of larger consumer incomes and increased number of men in the armed forces. The Army Quartermaster Department has estimated present Army requirements at one package of cigarettes per man per day.

Tobacco Products Subject to Price Regulations

Under the General Maximum Price Regulation of the Office of Price Administration (Bul. No. 1, April 28, 1942) price ceilings are set at the maximum price for the same or similar commodities during March 1942. All tobacco products are automatically included under this order.

Actually, manufacturers' prices of cigarettes had been regulated for several months in advance of the effective date of the general price regulation. Under Price Schedule No. 62, issued on December 31, 1941, maximum prices of all cigarette brands were set at the levels prevailing on December 26, 1941. The practical effect of Schedule 62 and Amendments thereto was to limit prices of standard priced cigarettes to \$6.53 per thousand at the manufacturer's level. "Economy" cigarettes (the so-called 10-cent brands) have a manufacturer's delivered price of \$5.15 per thousand while "King Size" cigarettes in the "Economy" class sell at \$5.30. Practically all sales are made at a trade discount of 10 percent and cash discount of 2 percent off the above prices. The immediate reason for the setting of the December ceiling was to prevent a projected increase in the price of a leading brand of cigarettes from \$6.53 to \$7.10 per thousand.

Following a cost study, the results of which were released March 24, 1942 (PM2746), the Office of Price Administration decided to continue the above ceiling levels based on prices as of December 26, 1941. Manufacturers are allowed, however, to revise prices which were based on temporary sales promotion programs and to adjust prices if the present Internal Revenue Tax should be raised.

Stocks of Oriental Leaf Diminished

Stocks of Oriental cigarette leaf held by dealers and manufacturers in the United States were reported to be 80,620,000 pounds as of April 1, 1942, the lowest on this date since 1937. Large April stocks in 1939, 1940, and 1941 probably resulted from attempts on the part of manufacturers to forestall a shortage. The low stocks as of April 1, 1942 indicate a substantial use of this reserve supply, although imports have been arriving in considerable quantities.

Lend-Lease Shipments Increased

Acquisitions of flue-cured tobacco under loan and purchase programs of the Commodity Credit Corporation up to June 30, 1942 have totaled about

500 million pounds (farm-sales weight) of the 1939, 1940, and 1941 crops. Of this amount, purchases represent more than 460 million pounds, and loans were made on approximately 36 million pounds. Through July 10, 1942 a total of 220,843 hogsheads or nearly 220 million pounds, farm-sales weight, of total flue-cured purchases had been shipped under lend-lease.

The Commodity Credit Corporation will have a tobacco purchase program in effect during the 1942-43 marketing season. By an agreement between the Leaf Tobacco Exporters' Association and the Commodity Credit Corporation, independent dealers will redry about one third of the 1942-43 purchases made by the Corporation. It is expected that this program will tend to offset the unfavorable effects of the shortage of export business.

United Kingdom Increases Import Duty

For the fourth time since April 1939, the United Kingdom has raised the import duty on tobacco. The most recent raise was 10 shillings, bringing the full effective rate to 29s. 6d. or \$5.95 per pound (conversion at official rate of exchange). The Empire preference tariff is 27s. 5-1/2d. (\$5.54) per pound, leaving the Empire preference of 2s. 1/2d. (41 cents) unchanged. This tariff rate is equivalent to a tax of slightly more than 30 cents on a pack of 20 full-sized cigarettes compared with the present Federal tax of 6.5 cents per pack of 20 cigarettes in the United States.

Table 1.- Flue-cured tobacco: Domestic supplies, disappearance, and season average price, average 1934-38, annual 1940-42 1/

Year	Production	Stocks, July 1	Total supply	Disappearance, year begin- ning July	Average price per pound
	Million pounds	Million pounds	Million pounds	Million pounds	Cents
Average					
1934-38	740.6	844.9	1,585.5	703.9	22.9
1940	759.9	1,409.7	2,169.6	576.7	16.4
1941 2/ ..	649.5	1,592.9	2,242.4	3/ 739.4	28.1
1942	4/ 739.7	3/ 1,503.0	3/ 2,242.7		

1/ Farm-sales-weight equivalent.

2/ Preliminary.

3/ Estimated.

4/ Indicated July 1.

BURLEY, TYPE 31

Small Increase Over 1941 Crop Expected

The July 1 indication is for a burley crop of 350 million pounds, compared with 338 million pounds in 1941. Acreages reported for harvest are larger in all areas than those harvested in 1941 - 356,400 acres compared with 342,800 acres, more than compensating for a lower yield. Except in

West Virginia, North Carolina, and Tennessee, yields are reported below those obtained in 1941. As of July 1, the average indicated yield is 982 pounds per acre contrasted with 986 pounds last year. Total burley acreage, although larger than in 1941, is 6.9 percent below the 383,000 acres allotted by the Agricultural Adjustment Agency. Earlier in the season it was expected that there would be a full planting of the acreage allotments because of high prices received for the 1941 crop and the rise in domestic consumption. A tighter labor situation and possibly some diversion of land to food and fiber production may account for the smaller acreage.

Supply About Same as Year Earlier

An expected decrease in stocks as of October 1, 1942 will about offset the small rise in production, and the 1942 supply of 1,136 million pounds will approximate that of 1941. (Table 2). The crop of 338 million pounds in 1941 was about the equivalent of the 1940 disappearance. In view of the expected increase in domestic consumption, largely in the manufacture of cigarettes, the indicated crop of 350 million pounds for this season probably will be near 1941 disappearance and may be less than 1942 disappearance. Manufactures of smoking tobacco showed a decrease of 8.6 percent during the first 10 months of the fiscal year ended June 30, 1942 compared with the corresponding period a year earlier. Reduction in the use of burley tobacco in the manufacture of smoking tobacco is more than offset by increased use in the manufacture of cigarettes. Exports of burley continue much smaller than in recent years. This situation, however, has little effect on the outlook for burley, for even in the pre-war period exports accounted on the average for only 2 or 3 percent of total disappearance.

Commodity Credit Corporation Operations (1941) Small

Operations of the Commodity Credit Corporation on the burley markets were minor during the 1941-42 selling season due to high auction floor prices and strong demand conditions. Loans were made to the Burley Tobacco Growers' Cooperative Association on about 6 million pounds (farm-sales weight) involving about \$1,007,000. The fact that the average loan level was much below the average market price of 29.3 cents was due in part to the relatively low quality of the tobacco submitted for loans. On June 30, 1942 practically all of this tobacco was still held as collateral for loans outstanding.

Grading Service Covered All Markets in 1941

During the 1941-42 marketing season, all burley markets (43 in number) were covered for the first time by the official inspection and market news service of the Agricultural Marketing Administration. This service was endorsed by growers in a referendum held October 2 to October 4, when 91 percent of the growers voted in favor of the inspection service. In the preceding season, 1940-41, sales on only 16 markets were inspected.

Table 2.-- Burley tobacco: Domestic supplies, disappearance, and season average price, average 1934-38, annual 1940-42 1/

Year	Production	Stocks, Oct. 1	Total supply	Disappearance, year begin- ning Oct.	Average price per pound
	Million pounds	Million pounds	Million pounds	Million pounds	Cents
Average 1934-38	286.9	700.9	987.8	314.2	22.2
1940	375.3	762.3	1,137.6	339.5	16.2
1941 2/ ..	338.1	798.1	1,136.2	3/ 350.2	29.3
1942	4/ 350.1	3/ 786.0	3/ 1,136.1		

1/ Farm-sales-weight equivalent.

2/ Preliminary.

3/ Estimated.

4/ Indicated July 1.

MARYLAND, TYPE 32

Marketing of 1941 Crop Now in Progress:

Prices About Same as Last Year

The eight auction floors in southern Maryland opened May 5 for sale of the 1941 crop. Sales up to July 1 on both the auction markets and at Baltimore totaled nearly 11 million pounds, or about 36 percent of the 1941 crop of 30,225,000 pounds. Prices so far this season averaged about 31 cents per pound, or about the same as the season average price of 33 cents for the 1940 crop.

Little Change in Supplies Indicated for Marketing

Season Beginning January 1, 1943

As indicated July 1, the 1942 Maryland crop is expected to be 31.1 million pounds, compared with 30.2 million in 1941. The new crop is reported to be "spotted with irregular stands and growth." Considerable replanting has been necessary because of dry weather and worm damage.

The prospective crop plus stocks of 42 million pounds estimated for January 1, 1943, results in an estimated supply of 73.1 million pounds available in 1943. (Table 3). Disappearance during 1940 and 1941 averaged about 31 million pounds, but will probably be somewhat higher in 1942. Increased domestic demand has offset decreased exports to a very large degree. Exports during the past 2 years have been nominal. About two thirds or more of the Maryland crop normally is used in the manufacture of cigarettes.

Table 3.- Maryland tobacco: Domestic supplies, disappearance, and season average price, average 1934-38, annual 1940-42 1/

Year	: Production	: Stocks, Jan.: : of following:	Total supply	: Disappearance, : following	: Average price
	: Million : pounds	: Million : pounds	: Million : pounds	: calendar year : pounds	: per pound
Average					Cents
1934-38	: 27.5	38.4	65.9	27.5	19.7
1940	: 32.6	43.2	75.8	30.8	33.0
1941 2/	: 30.2	45.0	75.2	3/ 33.2	33.0
1942	: 4/ 31.1	3/ 42.0	3/ 73.1		

1/ Farm-sales-weight equivalent. 2/ Preliminary. 3/ Estimated.
4/ Indicated July 1.

FIRE-CURED AND DARK AIR-CURED TOBACCOS,
TYPES 21-24 AND 35-37

Smaller Crop Result of Lower Yields

Although the 1942 acreage of fire-cured tobacco is slightly above that of 1941, the crop indicated July 1 at 70.2 million pounds is 4 percent below the 73.1 million pound crop of 1941. Yields are lower in most areas, the average of 900 pounds being about 5 percent below the 1941 yield.

The crop situation for dark air-cured is similar to that for fire-cured - an acreage slightly above that of 1941 but with lower yields producing a crop of 30.9 million pounds compared with 31.6 million in 1941, a decrease of 2.2 percent. The indicated yield of 937 pounds per acre is about 3 percent below the 965 pounds last season.

As in the case of flue-cured and burley, the 1942 acreage of dark tobaccos is below the acreage allotment. Fire-cured acreage as of July 1 is reported to be 78,000 acres contrasted with the allotment of 84,800 acres. Dark air-cured acreage (35 and 36 only) is 30,200 contrasted with the allotment of 36,000 acres. Actual and prospective labor shortage is one factor accounting for the failure of the planted area to equal allotments.

Supply More Than Adequate

The indicated crop of 70.2 million pounds of fire-cured together with probable stocks of 190 million pounds makes available a supply of 260.2 million pounds - the largest since 1937 when the supply was 290 million pounds. After the cessation of exports to continental Europe, disappearance during the past 3 years was less than production.

The 1942 supply of dark air-cured tobaccos of 102.3 million pounds is 3.5 percent below the supply of 106 million pounds in 1941. It now appears that the total supply of all dark tobaccos in 1942 will be 362.5 million pounds, about the same as in 1941. (Table 4).

Domestic Consumption up Slightly

Tax-paid withdrawals of snuff, the principal product manufactured from fire-cured, show an increase of 7.8 percent for the year ended this June over last. Manufactures of plug chewing tobacco, the principal outlet for dark air-cured, has shown some increase each month in the fiscal year 1941-42 over the corresponding month in 1940-41.

Table 4.- Dark tobaccos: Domestic supplies, disappearance, and season average price, average 1934-38, annual 1940-42 1/

TOTAL ALL DARK TOBACCOS					
Year	Production	Stocks Oct. 1	Total supply	Disappearance, year beginning Oct.	Average price per pound
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Ct.
Fire-cured, types 21-24, and dark air-cured, types 35-37					
Average 1934-38	145.2	257.0	402.2	161.4	10.0
1940	150.1	207.2	357.3	99.0	9.0
1941 2/	104.7	258.3	363.0	3/ 101.6	13.4
1942	4/ 101.1	3/ 261.4	3/ 362.5		
FIRE-CURED					
Total, types 21-24					
Average 1934-38	110.0	194.2	304.2	122.7	10.2
1940	107.6	141.6	249.2	65.3	9.5
1941 2/	73.1	183.9	257.0	3/ 67.0	14.0
1942	4/ 70.2	3/ 190.0	3/ 260.2		
DARK AIR-CURED					
Total, types 35-37					
Average 1934-38	35.2	62.8	98.0	38.7	9.4
1940	42.5	65.6	108.1	33.7	7.7
1941 2/	31.6	74.4	106.0	3/ 34.6	12.0
1942	4/ 30.9	3/ 71.4	3/ 102.3		
One Sucker, type 35					
Average 1934-38	16.6	30.8	47.4	17.8	8.9
1940	21.9	31.9	53.8	18.1	7.5
1941 2/	15.8	35.7	51.5	3/ 18.4	11.4
1942	4/ 15.4	3/ 33.1	3/ 48.5		
Green River, type 36					
Average 1934-38	15.9	29.3	45.2	18.3	9.7
1940	17.5	30.1	47.6	12.6	7.6
1941 2/	13.6	35.0	48.6	3/ 13.2	11.7
1942	4/ 13.3	3/ 35.4	3/ 48.7		
Va. sunpured, type 37:					
Average 1934-38	2.7	2.7	5.4	2.6	11.5
1940	3.1	3.6	6.7	3.0	9.3
1941 2/	2.2	3.7	5.9	3/ 3.0	17.9
1942	4/ 2.2	3/ 2.9	3/ 5.1		

1/ Farm-sales-weight equivalent. 2/ Preliminary. 3/ Estimated.
4/ Indicated July 1.

About 42.1 million pounds were manufactured during the first 10 months of the fiscal year ended June 30, 1942. During the same 10 months of the last fiscal year, 40.8 million pounds were manufactured. This slight increase is expected to continue, although it probably does not represent a permanent reversal of the long-time downward trend in the use of chewing tobacco. The present increase probably results from increased chewing in some industries where smoking is prohibited.

Diversion Program in Effect in 1941-42

High prices on the 1941-42 markets caused a relatively small quantity of dark leaf (less than 1,250,000 pounds) to be diverted from the 1941 crop to byproducts uses. (See THE TOBACCO SITUATION, TS-21, January 1942, p. 18). An increase in subsidy payment, however, resulted in nearly 3 million pounds of packed tobacco from the 1940 crop and approximately 4.7 million pounds from 1939 production being diverted to byproducts uses during the first half of the 1942 calendar year. (See special article p. 15).

CIGAR TOBACCOS, TYPES 41-62

Smaller 1942 Acreage and Production Indicated

The acreage of all classes of cigar leaf is below 1941 acreage and considerably less than recommended goals. Acreages of each class for harvest in 1942 are 46,000 acres for filler, 37,400 acres for binder, and 9,800 acres for wrapper. These acreages for harvest compare respectively with acreage goal recommendations of 48,100, 44,400, and 10,800 acres.

Weather conditions in most cigar tobacco areas have been generally favorable so far this season. An exception is the Connecticut Valley, where the setting out of plants was late because of blue mold, and cloudy weather and cool nights hampered the growth of plants in the field.

Notwithstanding higher yields which now appear likely in many areas, crops of filler and binder tobaccos will be considerably below those of a year earlier because of acreage reductions. (Table 10). The decrease in 1942 wrapper acreage, however, is compensated for by an average yield of 1,050 pounds, 12 percent above the 939 pound yield of 1941. The total 1942 cigar leaf crop in continental United States is indicated at 134.4 million pounds, 3.2 percent less than the 138.8 million pound crop last season. Indicated 1942 production is nearly 9 percent less than the estimated disappearance of 146.4 million pounds in 1941, whereas the 1941 crop was approximately equivalent to the 1940 disappearance. Exports of cigar leaf are a minor part of the disappearance.

The Puerto Rican cigar-filler crop of the 1941-42 season is estimated at 32.5 million pounds, the largest since 1937. (Table 6).

Tax Paid Withdrawals of Cigars and Manufactures of Cigars Coming Up

Domestic consumption of cigars during the fiscal year ended June 1942, was 6,103 million cigars compared with 5,708 million in 1941, an increase of 6.9 percent. Of this total, 5,441 million were in class A,

manufactured to retail at 5 cents or less. Substantial percentage increases occurred in other classes which retail at higher prices. The higher level of cigar consumption reflects the general increase in consumer income. Shortages of labor and equipment may make it increasingly difficult for manufacturers and growers to meet the increasing demand for cigars and cigar leaf.

Imports from the Philippine Islands ceased after Pearl Harbor. Tax-paid products from the Philippines, consisting primarily of class A cigars, approximated 200 million annually in recent years, and represented about 3 percent of the total cigar consumption in the United States.

Scrap chewing tobacco, manufactured almost entirely from cigar leaf, increased 5.1 percent during the first 10 months of the fiscal year ending June 1942 or from 35,892,000 pounds to 37,729,000 pounds. This upward trend in consumption, as in the case of plug chewing, probably will continue temporarily.

Sumatra Stocks Equivalent to
About 3 Years Consumption

Sumatra stocks reported as held by domestic manufacturers and dealers in April 1942 were much larger than a year earlier. A large proportion of these stocks were suitable for American use. These stocks plus holdings of the Netherlands East Indies Produce Corporation of grades suitable for use by domestic cigar makers are estimated to be sufficient for the next 2-1/2 to 3 years at recent rates of consumption.

Through an agreement between the Netherlands East Indies Produce Corporation and the Office of Price Administration, prices of Sumatra leaf sold for domestic consumption will not be more than 20 percent above the average price received by the Corporation during 1941 on comparable grades and qualities. The average price paid in 1941 by United States dealers and manufacturers for all grades was \$2.09 per pound. The agreement also provides for sale by negotiation, and forbids open competitive bidding, particularly sales by inscription. The latter is a form of auction conducted by means of sealed bids and has been the customary sales method in past years. "The maximum price of 20 percent above the 1941 average, is to provide an over-all ceiling within which war risk insurance, additional transportation costs, and other charges which actually increased the landed cost of tobacco here can be covered." 1/

Stocks of Philippine tobacco in the United States on April 1 dropped sharply from the corresponding date a year earlier but stocks of Cuban tobacco increased. Total foreign cigar stocks held by dealers and manufacturers in the United States were 18,738,000 pounds this April 1 compared with 17,242,000 last year.

1/ Release of Office of Price Administration dated June 12, 1942.

Table 5.- Cigar tobaccos: Domestic supplies, disappearance, and season average price, average 1934-38, annual 1940-42 1/

Type and year	Pro- duc- tion	Stocks Oct. 1 2/	Total supply	Disap- pear- ance year begin- ning Oct.	Average price per pound
	Million pounds	Million pounds	Million pounds	Million pounds	Cents
Total filler, types 41-45 -					
Average 1934-38	44.6	159.9	204.5	50.0	10.4
1940	68.3	151.0	219.3	60.6	12.0
1941 <u>3/</u>	67.1	158.7	225.8	<u>4/</u> 66.3	12.4
1942	<u>5/</u> 66.7	<u>4/</u> 159.5	<u>4/</u> 226.2		
Total binder, types 51-55 -					
Average 1934-38	41.4	165.1	206.5	60.0	12.5
1940	66.2	134.9	201.1	66.1	14.5
1941 <u>3/</u>	61.6	135.0	196.6	<u>4/</u> 68.6	17.0
1942	<u>5/</u> 57.4	<u>4/</u> 128.0	<u>4/</u> 185.4		
Total wrapper, types 61-62 -					
Average 1934-38	8.4	10.7	19.1	8.9	78.3
1940	9.5	12.9	22.4	10.7	75.8
1941 <u>3/</u>	10.1	11.7	21.8	<u>4/</u> 11.5	77.7
1942	<u>5/</u> 10.3	<u>4/</u> 10.3	<u>4/</u> 20.6		

1/ Farm-sales weight.2/ Stocks held on farms not included; stocks for types 45 and 62 are as of July 1.3/ Preliminary.4/ Estimated.5/ Indicated July 1.

Table 6.- Production, stocks, supply, disappearance, and price of filler tobacco, type 46, grown in Puerto Rico, 1935-41 1/

Year	:	:	Stocks	:	:	:
beginning	:	Produc-	:	Jan. 1,	:	Total
July	:	tion	:	farm-sales	:	supply
:	:	:	:	weight 2/	:	Disappea-
:	:	:	:	:	:	ance
:	:	:	:	:	:	:
:	:	Million	:	Million	:	Million
:	:	pounds	:	pounds	:	pounds
:	:	:	:	:	:	Cents
1935	:	26.0	:	50.2	:	76.2
1936	:	35.0	:	51.2	:	86.2
1937	:	44.1	:	56.5	:	100.6
1938	:	13.8	:	64.2	:	78.0
1939	:	28.1	:	47.4	:	75.5
1940 <u>3/</u>	:	31.7	:	47.6	:	79.3
1941 <u>3/</u>	:	32.5	:	49.9	:	82.4
:	:	:	:	:	:	:

Compiled: Production from annual reports of the Governor of Puerto Rico; prices from The Farm Price of Tobacco in Puerto Rico, translation of Bul. No. 60, by Agricultural Experiment Station, Rio Piedras, P. R., June 1941, p. 6; stocks from reports of the Agricultural Marketing Service.

1/ Production data are for the harvesting year beginning July and stocks are as of January 1 in the harvesting year.

2/ Including stocks held by dealers and manufacturers in the United States and on the Island of Puerto Rico. Stocks on the Island were not reported prior to January 1, 1936.

3/ Preliminary.

SOME IMPACTS OF THE WAR ON TOBACCO

The present war has brought about important changes in United States tobacco production and trade. Important foreign outlets for some types have been sharply curtailed, although losses in export markets have been offset to a limited extent by increases in the demand for and consumption of tobacco products in the United States. Retail and wholesale prices of tobacco products, in common with most other manufactured articles, have been subjected to control, and wartime demand for certain commodities, along with shipping difficulties, have caused domestic manufacturers to be faced with a shortage of some raw materials.

Exports Decline

In the 5 marketing seasons immediately preceding the outbreak of the war an average of 410 million pounds of United States tobaccos (including black fat and dark African) were exported to foreign countries. Exports of flue-cured amounted on the average to 319 million and fire-cured to 61 million pounds. When converted to a farm-sales-weight basis, these exports accounted for approximately 50 percent and 60 percent, respectively, of average annual production. Flue-cured leaf was shipped primarily to the United Kingdom while most of the dark tobaccos went to the countries of continental Europe.

With the outbreak of war in September 1939 buyers for British interests were withdrawn from the flue-cured tobacco markets. This sudden and substantial reduction in demand occurring in the midst of the marketing season for the largest flue-cured tobacco crop on record was followed by a closing of the loose-leaf markets and the speedy drafting of measures to aid producers and dealers in meeting the extraordinary situation. Between September 14 and October 10 a referendum was held in the flue-cured districts in which growers approved plans for the limitation of production for the next marketing year. Following the agreement by farmers to limit production, the Government, through the Commodity Credit Corporation, provided funds to British buying interests which enabled them to purchase the quantities and grades of flue-cured leaf at the prices which were presumably somewhere near what they would have paid if the war had not intervened. Under this purchase program approximately 174 million pounds of the 1939 flue-cured tobacco were acquired at a cost to the Commodity Credit Corporation of more than 37 million dollars. This tobacco was packed and stored in bonded warehouses, the British interests retaining an option to obtain the tobacco within a stated period of time upon the payment of its purchase price plus accrued storage and handling charges. Between 3 and 4 million pounds of dark types were purchased and stored under a similar arrangement. In addition, the Commodity Credit Corporation, as in preceding years, made loans to cooperative tobacco marketing associations in the dark tobacco districts upon packed tobacco pledged as collateral. Approximately 5-1/2 million pounds were covered by such loans in the 1939-40 marketing season.

Government Support Continued

Although 1940 crops, especially of flue-cured tobacco, were much smaller than in 1939, the huge increase in stocks and the continued stoppage of most export outlets made Government support again necessary. In this season nearly 170 million pounds of flue-cured leaf were purchased and stored by exporting concerns for Commodity Credit account. Furthermore, loans were made available to several of the smaller dealers normally buying for foreign importers. Such loans were made in order to permit these companies to obtain the amounts and quantities of tobacco usually purchased by them, thus putting them in a position to supply the needs of their clients at such time as foreign shipments could be resumed. More than 36 million pounds were pledged as security for such loans. Comparatively little dark tobacco of the 1940 crop was purchased for the account of the Commodity Credit Corporation but loans to marketing associations increased sharply, covering collateral in excess of 45 million pounds.

During the 1941 marketing season purchases of flue-cured leaf for Commodity Credit account amounted to approximately 120 million pounds. No loans to dealers were made during this season. Although prices at which export concerns purchased for Commodity Credit Corporation were geared to 85 percent of parity as compared with 75 percent in the preceding season, unusually brisk bidding by domestic tobacco companies and sharply increased prices resulted in a much smaller quantity of tobacco being acquired under the purchase program than in the 2 preceding years. Purchases of dark types, however, were considerably larger while loans to dark tobacco marketing associations were much smaller.

In the 1940 and 1941 seasons, Commodity Credit made loans to burley marketing associations and in 1939 and 1941 small quantities of cigar leaf were financed by the Corporation. These loans, however, were not directly the result of any unusual situation created by the war.

In the 3 seasons 1939-41 there were acquired under loan and purchase programs of the Commodity Credit Corporation more than 600 million pounds of leaf tobacco, most of which was flue-cured and dark leaf obtained largely as a result of the effort to offset the direct effects of the war on market outlets (see table 7).

Lend-Lease Shipments Large

Up until June 30, 1942 approximately half of the flue-cured and dark tobacco acquired under the Commodity Credit Corporation programs had been released into trade channels, either domestic or foreign. Most of the tobacco released was flue-cured and was shipped to foreign markets, chiefly to the United Kingdom under lend-lease arrangements. Lend-lease was applied to tobacco in April 1941 and has been the major factor in the disposal of stocks of tobacco owned or financed by the Commodity Credit Corporation (table 8). By June 30, 1942 nearly all tobacco of the 1939 flue-cured crop, a third of acquisitions of the 1940 crop, and a small part of the 1941 acquisitions, had been released. Actual lend-lease shipments as shown in table 8 differ from data shown under the heading Collateral Released in table 7. This is due to the fact that small quantities have been released to dealers for other than lend-lease purposes, because actual shipments lag behind releases and because "collateral released" figures are on a farm-sales-weight basis while those for lend-lease shipments are in terms of net-packed weight.

Most of the dark leaf released from Commodity Credit holdings has gone to dealers for other than lend-lease purposes. Countries which formerly took most of United States dark tobacco exports are completely cut off from trade with this country, and areas receiving lend-lease stocks use comparatively small amounts of dark tobaccos.

Byproduct Diversion Renewed

A renewal of byproduct diversion of dark tobaccos, beginning in December 1941, was associated in considerable measure with war conditions. Diversion programs had been effect from March 1936 through the 1938-39 marketing season, largely for the purpose of reducing burdensome stocks of dark fire-cured and dark air-cured leaf. The revival of byproduct diversion last season was for the purpose not only of disposing of the recent accumulation of stocks due to the cutting off of export outlets, but also to increase the supply of insecticides and fungicides made necessary by increased agricultural production and uncertainties with respect to imports of related materials from foreign sources. Under the program as operated between December 10, 1941 and April 10, 1942, the Surplus Marketing Administration paid to tobacco marketing associations 1-1/2 cents per pound for leaf tobacco sold to manufacturers of byproducts, provided that associations must have advanced to growers at least 5 cents per pound on leaf of types 22, 23, 24, and not less than 4 cents on type 35. Only 1,223,000 pounds of loose leaf tobacco from the 1941 crop were diverted under these arrangements.

Effective April 10, 1942, subsidy payments were liberalized to permit the diversion of packed tobacco from crops of 1939 and 1940. Under this program the Agricultural Marketing Administration was authorized to pay to marketing associations a maximum of 5 cents per pound on leaf of types 22, 23, 24, and 36 and 4 cents per pound on type 35, provided that marketing associations must have made advances listed on the schedule of grades and values provided for the various types and approved by the Commodity Credit Corporation in the season when marketed, and provided further that the diverted tobacco had to be sold to byproduct companies for not less than 3-1/2 cents per pound for types 22, 23, 24, and 36 and not less than 2-1/2 cents for other types. Under this program more than 2,800,000 pounds of packed tobacco were diverted from the 1940 crop and nearly 4,700,000 pounds from 1939 production. Most of this tobacco was type 36.

Supplies of Certain Raw Materials Restricted

Maximum manufacturers' prices for cigarettes were established by the Office of Price Administration on December 31, 1941 and in May of this year wholesale and retail prices of all tobacco products became subject to the General Maximum Price Regulation. At the same time, manufacturers have encountered difficulties in obtaining needed supplies of labor, machinery and certain raw materials. Labor and equipment shortages are reported to be particularly serious for the cigar industry. In May and June 1942 tobacco processors, in common with other industrial users of sugar, were required to reduce sugar consumption to 70 percent of 1941 levels. In July an increase to 80 percent was permitted. Effective in May, cigarette manufacturers were required to reduce their use of glycerin to 70 percent of 1940 consumption. The use of foil and tin plate for packages and cans has ceased entirely and the use of black plate has been severely restricted. Processors are now attempting to obtain sufficient black plate for the manufacture of container tops and bottoms, the sides to be manufactured of cardboard. Reduction in supplies of these materials used in the preparation of tobacco for consumer use is particularly serious in that it comes at a time when consumption of tobacco products is increasing.

Imports of licorice used extensively in the manufacture of plug chewing tobacco and imports of briar, ivy or laurel root for pipe bowls have been largely completely cut off. Both of these commodities come very largely from Mediterranean countries, but substitutes are being devised. So far, imports of Oriental leaf tobacco, particularly Turkish, have been well maintained due to the availability of shipping space in cargo boats returning from the Middle East. Imports of cigars from the Phillippine Islands, which in recent years accounted for approximately 3 percent of total United States cigar consumption, have ceased entirely. Shipments of the 1941 crop of Sumatra cigar leaf suitable for use in the United States have arrived in this country. No further imports will come from the East Indies, however, due to the occupation of that area by the Japanese. Stocks of these tobaccos on hand in the United States are equivalent to 2-1/2 to 3 years consumption at current rates of utilization.

Table 7.- Tobacco purchases, loans, and collateral outstanding, of the Commodity
Credit Corporation, as of June 30, 1942
(Farm-sales weight 1/)

Crop	Acquisitions			Collateral released			Total collateral		
	Purchases:	Loans	Total	Purchases:	Loans	Total	Quantity:	Costs	outstanding
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	2/	2/
				dollars			dollars		dollars
Crop of 1939-									
Flue-cured	2/ 174,005		174,005	37,292	169,459	169,459	4,546		813
Dark types	4/ 3,729	5,461	9,190	1,110		160	5,550		481
Cigar leaf		708	708	35		708			
Crop of 1940-									
Flue-cured	168,851	36,105	204,956	43,435	58,369	19,937	126,550		26,491
Dark types	644	45,113	45,757	4,882		28,906	16,351		2,069
Burley		5/ 26,235	26,235	4,278		26,235			
Crop of 1941-									
Flue-cured	119,543		119,543	32,757	1,322	1,322	118,221		32,396
Dark types	14,391	2,540	17,431	2,755	95	3	17,333		2,741
Burley		5,972	5,972	1,007		327	5,645		971
Cigar leaf	200		200	22	82	82	118		12
Total 1939-41									
Flue-cured	462,399	36,105	498,504	113,484	229,150	19,937	249,417		59,700
Dark types	19,264	53,114	72,378	8,747	3,475	29,069	39,834		5,291
Burley		32,207	32,207	5,285		26,562	5,645		971
Cigar leaf	200	703	908	57	82	708	118		12

Compiled from official records of the Commodity Credit Corporation.

1/ In instances where weights were reported as net-packed weight (storage order) conversions have been made to farm-sales weight by multiplying by factors for converting unstemmed stocks to farm-sales weight, reported in Circular No. 435, p.8. 2/ Includes auction floor costs, and other charges such as redrying, prizing, and storage. 3/ Including 40,286 pounds of the 1939 crop purchased and released under the 1941 program; cost \$5,366.47. 4/ Including 348,468 pounds of the 1939 crop purchased from dealers under the 1941 program; cost \$33,476.92. 5/ Actual farm-sales weight reported in Season Market News Report, March 20, 1941, released by the Agricultural Marketing Administration.

GENERAL STATISTICAL DATA

Table 8.- Total lend-lease shipments of tobacco from the United States, by crops and classes, to July 10, 1942 1/

Crop	Lend-lease shipments <u>2/</u>	
	<u>Hogheads</u>	<u>1,000 pounds</u>
Crop of 1939 -		
Flue-cured <u>3/</u>	149,657	132,929
Dark types	2,336	2,134
Crop of 1940 -		
Flue-cured	68,409	61,198
Dark types	7	10
Crop of 1941 -		
Flue-cured	434	384
Dark types	0	0
Total, 1939-41	220,843	196,655
Flue-cured	218,500	194,511
Dark types	2,343	2,144

Compiled from official records of the Commodity Credit Corporation.

1/ Shipments of tobacco under lend-lease arrangements began in April 1941.2/ Net packed weight or storage order. To convert poundage to an approximate farm-sales-weight equivalent, increase flue-cured poundage by 12 percent and the dark types by 15 percent.3/ Includes 36 hogheads of 35,969 pounds of the 1939 crop, purchased in 1941.Table 9.- Tax-paid withdrawals of tobacco products, July-June, and production of manufactured tobacco July-April, in the United States, 1940 and 1941 1/

Products	Tax-paid withdrawals 12 months beginning July			Manufactured: tobacco	Production 10 months beginning July		
	1940	1941	Change		1940	1941	Change
	Millions	Millions	Percent		1,000 pounds	1,000 pounds	Percent
Small cigarettes ..	189,747	216,905	+14.3	Smoking	172,128	158,215	- 8.1
Large cigarettes ..	2	2	2/+32.1	Plug	40,811	42,122	+ 3.2
Large cigars	5,708	6,103	+ 6.9	Twist	4,759	4,868	+ 2.3
Small cigars	152	139	- 8.6	Fine-cut	4,105	4,290	+ 4.5
Snuff 3/	38,332	41,320	+ 7.8	Scrap chewing:	35,892	37,729	+ 5.1
Manufactured tobacco 3/	305,083	289,648	- 5.1				

1/ Tax-paid withdrawals include products from the Philippine Islands and Puerto Rico.2/ Based on actual, not rounded, figures.3/ Thousand pounds.

Table 10.- Acreage and production of tobacco in the United States, by types, 1941 and 1942

Type	Acreage			Production		
	1941	1942	Change	1941	1942	Change
	1/	2/	Per-	1/	2/	Per-
	1,000	1,000	cent	Million	Million	Per-
	acres	acres	cent	pounds	pounds	cent
Total flue-cured, types 11-14 ...	717.6	3/ 796.2	+ 11.0	649.5	739.8	+ 13.9
Old and Middle Belt, type 11 ...	266.0	298.0	+ 12.0	225.4	259.7	+ 15.2
Eastern North Carolina, type 12 :	242.0	266.0	+ 9.9	240.8	259.3	+ 7.7
South Carolina, type 13	134.0	148.0	+ 10.4	120.5	149.2	+ 23.8
Georgia and Florida, type 14 ...	75.6	84.2	+ 11.4	62.8	71.6	+ 14.0
Total fire-cured, types 21-24 ...	77.1	3/ 78.0	+ 1.2	73.1	70.2	- 4.0
Virginia, type 21	13.7	14.2	+ 3.6	11.8	12.1	+ 2.5
Ky. and Tenn., type 22	44.5	44.5	0.0	43.3	40.8	- 5.8
Ky. and Tenn., type 23	18.7	19.1	+ 2.1	17.8	17.1	- 3.9
Henderson, type 242	.2	0.0	.2	.2	4/- 2.8
Burley, type 31	342.8	3/ 356.4	+ 4.0	338.1	350.1	+ 3.5
Maryland, type 32	40.3	41.5	+ 3.0	30.2	31.1	+ 3.0
Total dark air-cured, types 35-37:	32.8	33.0	+ .6	31.7	30.9	- 2.5
One Sucker, type 35	16.2	3/ 16.2	0.0	15.8	15.4	- 2.5
Green River, type 36	14.0	3/ 14.0	0.0	13.7	13.3	- 2.9
Va. sun-cured, type 37	2.6	2.8	+ 7.7	2.2	2.2	0.0
Total cigar filler, types 41-45 ...	49.0	46.0	- 6.1	67.1	66.7	- .6
Pa. Seedleaf, type 41	35.4	34.7	- 2.0	52.0	53.8	+ 3.5
Miami Valley, types 42-44	12.6	10.5	- 16.7	14.2	12.1	- 14.8
Ga. and Fla. sun-grown, type 45:	1.0	.8	- 20.0	.9	.8	- 11.1
Total cigar binder, types 51-55 ...	40.5	37.4	- 7.7	61.6	57.4	- 6.8
Conn. Valley Broadleaf, type 51:	8.3	7.7	- 7.2	13.3	12.7	- 4.5
Conn. Valley Havana Seed, type 52:	7.9	7.5	- 5.1	13.8	12.8	- 7.2
N.Y. and Pa. Havana Seed, type 53:	1.5	1.3	- 13.3	2.2	1.8	- 18.2
Southern Wisconsin, type 54 ...	11.0	10.0	- 9.1	15.4	14.5	- 5.8
Northern Wisconsin, type 55 ...	11.8	10.9	- 7.6	16.9	15.6	- 7.7
Total cigar wrapper, types 61-62 :	10.8	9.8	- 9.3	10.1	10.3	+ 2.0
Conn. Valley Shadegrown, type 61:	6.8	6.2	- 8.8	6.4	6.5	+ 1.6
Ga. and Fla. Shadegrown, type 62:	4.0	3.6	- 10.0	3.7	3.8	+ 2.7
Total, all types	1,310.9	1,398.3	+ 6.7	1,261.4	1,356.5	+ 7.5

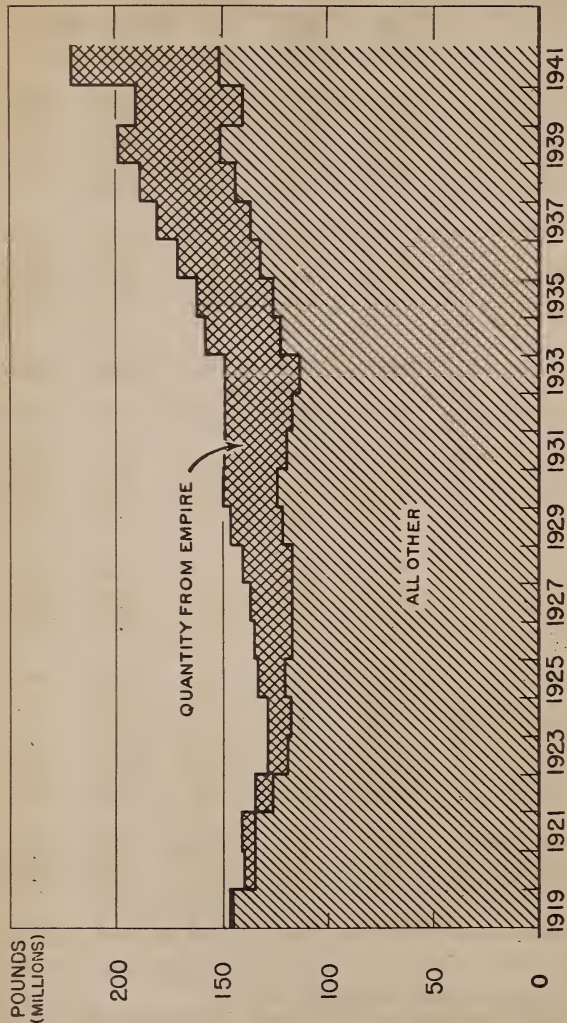
1/ Preliminary.

2/ Acreage for harvest and production indicated July 1.

3/ Acreage allotments of the Agricultural Adjustment Agency are as follows: Flue-cured, 843,300 acres; Burley, 383,000 acres; fire-cured, 84,800 acres; dark air-cured (types 35 and 36 only), 36,000 acres.

4/ Based on actual, not rounded figures.

TOBACCO: QUANTITY RETAINED FOR HOME CONSUMPTION, UNITED KINGDOM, 1919-41



U. S. DEPARTMENT OF AGRICULTURE

NEG. 25311

BUREAU OF AGRICULTURAL ECONOMICS

FIGURE 1.-- WARTIME CONDITIONS HAVE EXPANDED THE DEMAND OF BRITISH CONSUMERS FOR TOBACCO PRODUCTS, ALTHOUGH IN 1940 THEIR MANUFACTURE WAS SEVERELY LIMITED BY GOVERNMENT REGULATIONS. THE PRONOUNCED UPWARD TREND IN THE PROPORTION OF BRITISH CONSUMPTION ACCOUNTED FOR BY LEAF OF EMPIRE ORIGIN HAS BEEN PRIMARILY DUE TO THE STIMULUS OF AN IMPORT DUTY PREFERENCE. IN ADDITION, DURING THE LAST 2 OR 3 YEARS EMPIRE TOBACCO HAS BENEFITTED FROM RELATIVELY FAVORABLE SHIPPING FACILITIES AND FROM REGULATIONS WHICH HAVE LIMITED THE USE OF UNITED STATES TOBACCO BUT REQUIRED THE ADMIXTURE OF EMPIRE LEAF IN TOBACCO PRODUCTS.

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